



ASA(FM&C)
Fall 2002 Army Resource Managers' Conference

Army Purchase Card



***Acting Director, Management and Control
Army Budget Office***



GAO REPORT ABSTRACT

The Army's purchase card program--the largest within the Defense Department offers significant benefits, but weak internal controls have left the Army vulnerable to fraudulent, improper, and abusive purchases. The Army has yet to issue service-wide regulations or operating procedures, instead relying on ad hoc memoranda and other informal guidance. The Army also does a poor job of overseeing the purchase card program. The Army lacks the infrastructure--guidance and human capital--needed for effective program oversight. GAO identified several improper transactions involving clothing, food, and other items. GAO also identified improper purchases in which cardholders made a large number of purchases of similar items to circumvent the mandated limit of \$2,500 for a single purchase.

GAO Report GAO-02-732, June 27, 2002



PROGRAM SUMMARY

DOD PROGRAM

- **Total Sales**
 - \$6.1 Billion
- **Total Actions**
 - 10.7 Million
- **Total Rebates**
 - Approx. \$28M

ARMY PROGRAM FY 2001 FY 2002

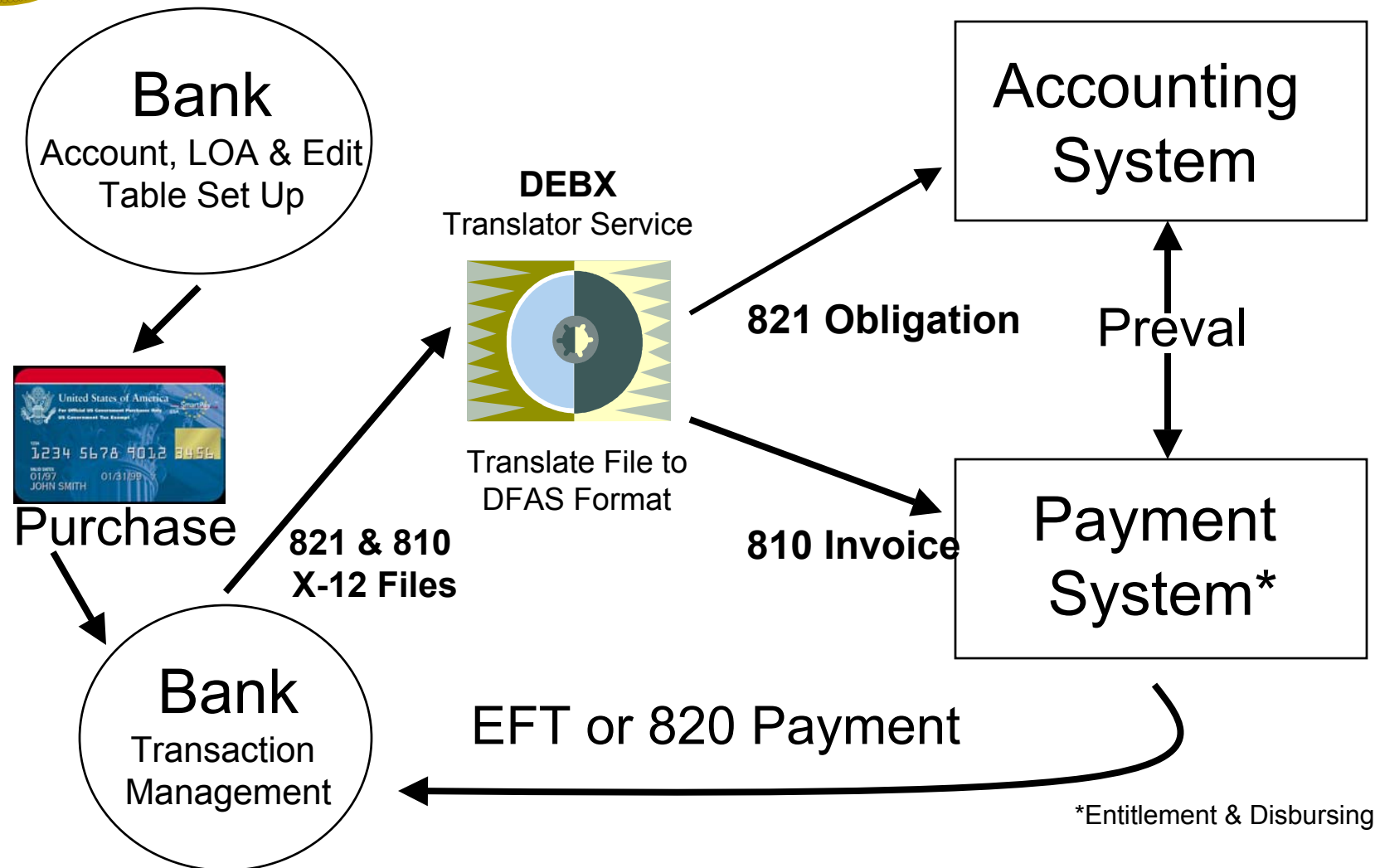
\$2.4B \$2.7B

4.4M 4.5M

\$11.8M \$15.4M



SYSTEM INTERFACE





ARMY BUSINESS RULES

- **Line of Accounting formatted IAW FA2 guidelines**
- **ED/EDI is ANSI X12 4010 compliant or higher**
- **Army uses Post Cycle Obligation Process**



ARMY BUSINESS RULES (CONT'D)

- **Billing Officials Appointed As Certifying Officers**
- **Reallocation occurs prior to electronic certification**
- **Billing Official electronically transmits certifications of billing statement to Bank**



ARMY BUSINESS RULES (CONT'D)

- **SDN is bank generated using the FA2 and control numbers**
- **Certifying Officer's certification initiates the EDI transmission**
- **Bank sends Obligation (821) followed 2 business days later by the Invoice (810)**



ARMY BUSINESS RULES (CONT'D)

- **Pay ASAP is used**
- **Payable rejects are by line item**
- **Invoice rejects are in total**
- **All rejects are returned to installation for correction**

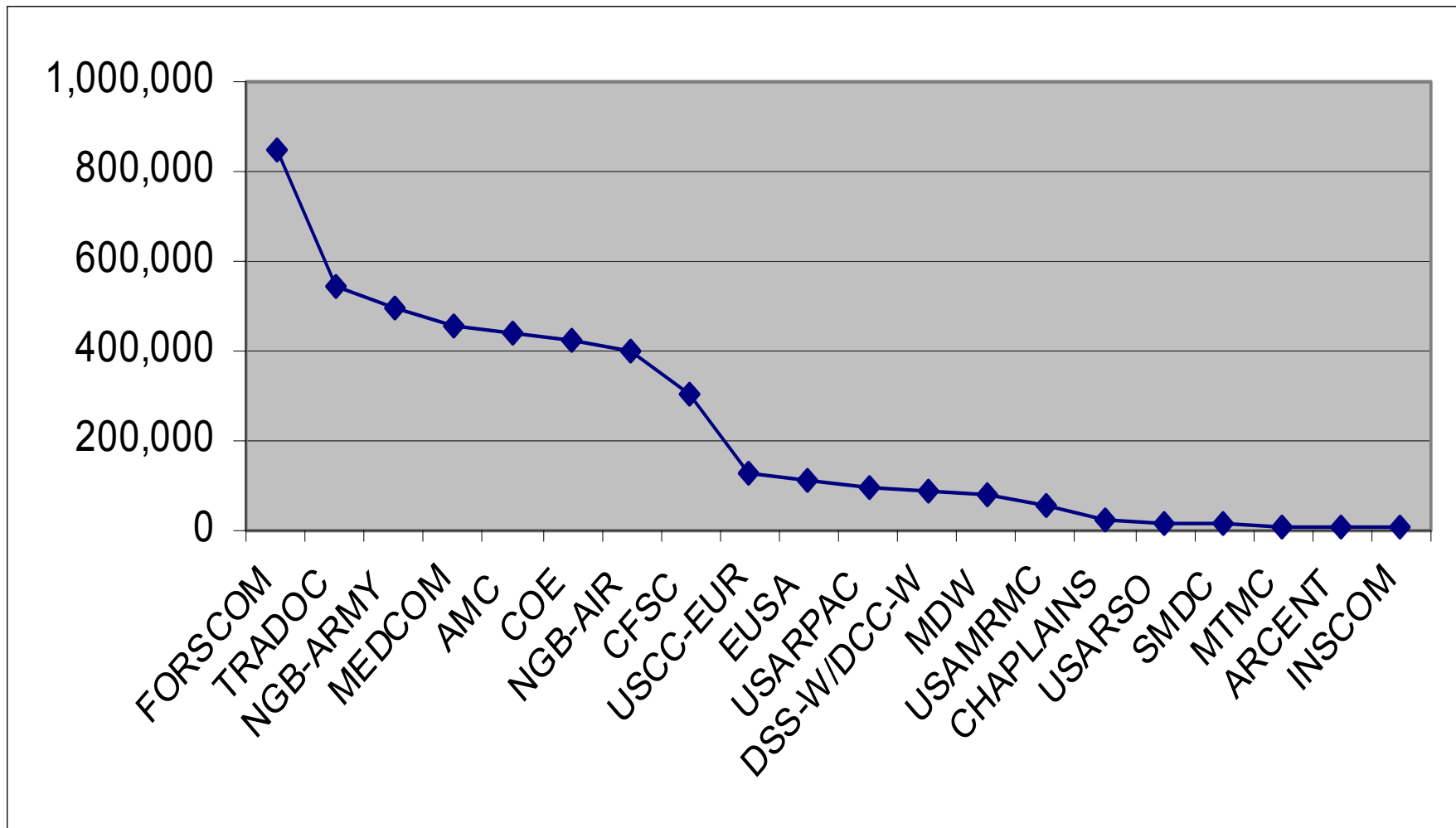


ARMY BUSINESS RULES (CONT'D)

- **Rebates are paid quarterly, credited to the cardholder/rolled up to BO**
- **Rebates and credits offset debits**
- **Credit balances are paid by check quarterly**

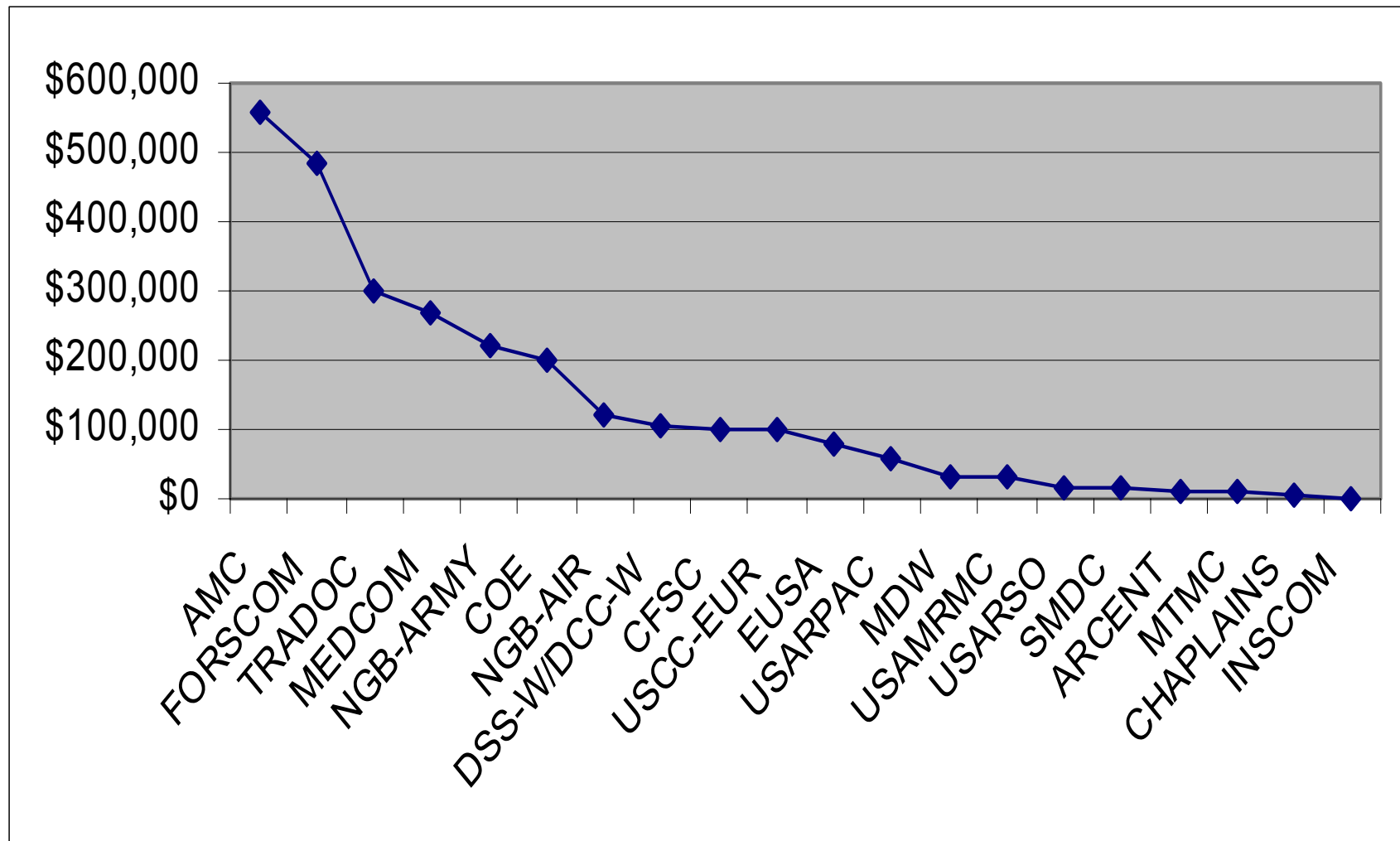


FY 2002 TRANSACTIONS



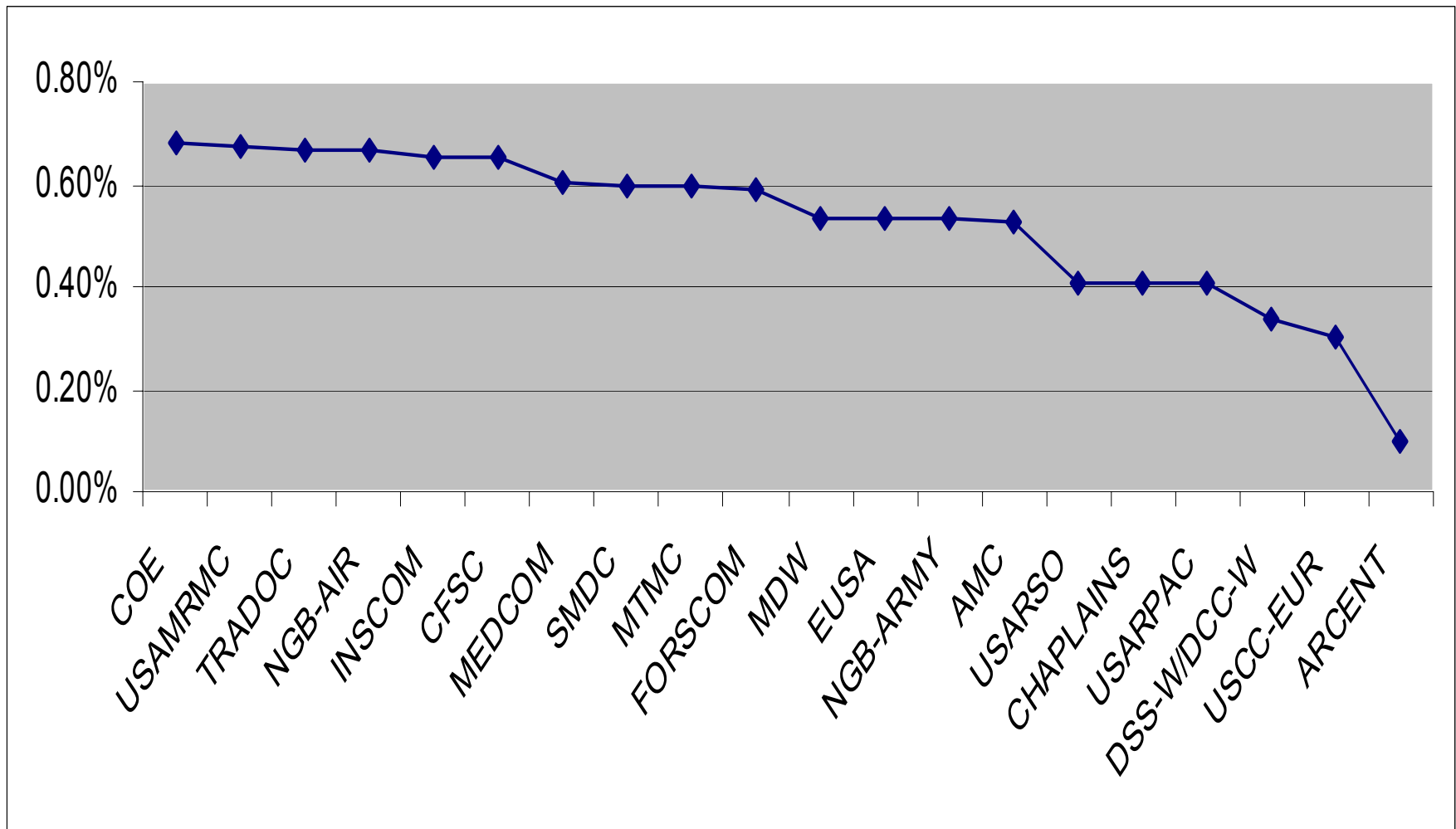


FY 2002 PURCHASES (\$K)





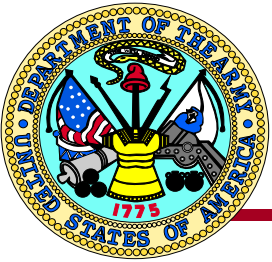
FY 2002 REBATES EARNED





SENIOR LEADERSHIP GUIDANCE

- APC FUNCTION ADEQUATELY STAFFED
- ENSURE BILLING OFFICIAL RECONCILES AND CERTIFIES CARD ACCOUNTS
- ESTABLISH CARD CONTROLS
 - ◆ CANCEL INACTIVE OR SUSPENDED CARD ACCOUNTS
 - ◆ ESTABLISH SPENDING LIMITS THAT REFLECT ACTUAL NEED
 - ◆ TAILOR CARD ACCOUNTS TO PRECLUDE USE AT INAPPROPRIATE MERCHANTS
- SUPPORT AUDIT AND INVESTIGATIVE COMMUNITIES ENGAGED IN DOD CENTRALIZED DATA MINING EFFORT



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